



8011-01p

SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request,
Copies Available From:

Securities and Exchange Commission
Office of Investor Education and Advocacy
Washington, DC 20549-0213

Extension:

Rule 17f-2

SEC File No. 270-233

OMB Control No. 3235-0223

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (the "Commission") is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

Rule 17f-2 (17 CFR 270.17f-2) under the Investment Company Act of 1940 (the "Act") (15 U.S.C. 80a-1) is entitled: "Custody of Investments by Registered Management Investment Company." Rule 17f-2 establishes safeguards for arrangements in which a registered management investment company ("fund") is deemed to maintain custody of its own assets, such as when the fund maintains its assets in a facility that provides safekeeping but not custodial services. The rule includes several recordkeeping or reporting requirements. The fund's directors must prepare a resolution designating not more than five fund officers or responsible employees who may have access to the fund's assets. The designated access persons (two or more of whom must act jointly when handling fund assets) must prepare a written notation providing certain information about each deposit or withdrawal of fund assets, and must transmit the notation to another officer or director designated by the directors. Independent public accountants must verify the fund's assets at least three times a year and two of the examinations must be unscheduled.

The requirement that directors designate access persons is intended to ensure that directors evaluate the trustworthiness of insiders who handle fund assets. The requirements that access persons act jointly in handling fund assets, prepare a written notation of each transaction, and transmit the

notation to another designated person are intended to reduce the risk of misappropriation of fund assets by access persons, and to ensure that adequate records are prepared, reviewed by a responsible third person, and available for examination by the Commission's examination staff. The requirement that auditors verify fund assets without notice twice each year is intended to provide an additional deterrent to the misappropriation of fund assets and to detect any irregularities.

The Commission staff estimates that each fund makes 974 responses and spends an average of 252 hours annually in complying with the rule's requirements.¹ Commission staff estimates that on an annual basis it takes: (i) 0.5 hours of fund accounting personnel at a total cost of \$82.50 to draft director resolutions;² (ii) 0.5 hours of the fund's board of directors at a total cost of \$2,000 to adopt the resolution; (iii) 244 hours for the fund's accounting personnel at a total cost of \$60,388 to prepare written notations of transactions;³ and (iv) 7 hours for the fund's accounting personnel at a total cost of \$1,155 to assist the independent public accountants when they perform verifications of fund assets.⁴ Approximately 243 funds rely upon rule 17f-2 annually.⁵ Thus, the total annual hour burden for rule 17f-2 is estimated to be 61,236 hours.⁶ Based on the total costs per fund listed above, the total cost of the Rule 17f-2's collection of information requirements is estimated to be \$15.5 million.⁷

¹ The 971 responses are: 1 (one) response to draft and adopt the resolution and 973 notations. Estimates of the number of hours are based on conversations with individuals in the mutual fund industry. The actual number of hours may vary significantly depending on individual fund assets.

² This estimate is based on the following calculation: 0.5 (burden hours per fund) x \$165 (fund senior accountant's hourly rate) = \$82.50.

³ Respondents estimated that each fund makes 974 responses on an annual basis and spent a total of 0.25 hours per response. The fund personnel involved are Fund Payable Manager (\$157 hourly rate), Fund Operations Manager (\$331 hourly rate) and Fund Accounting Manager (\$257 hourly rate). The weighted hourly rate of these personnel is \$248. The estimated cost of preparing notations is based on the following calculation: 974 x 0.25 x \$248 = \$60,388.

⁴ This estimate is based on the following calculation: 7 x \$165 (fund senior accountant hourly rate) = \$1155.

⁵ Based on a review of Form N-17f-2 filings for calendar years 2008-2010, each year approximately 243 funds file Form N-17f-2 with the Commission.

⁶ This estimate is based on the following calculation: 243 (funds) x 252 (total annual hourly burden per fund) = 61,236 hours for rule. The annual burden for rule 17f-2 does not include time spent preparing Form N-17f-2. The burden for Form N-17f-2 is included in a separate collection of information.

⁷ This estimate is based on the following calculation: \$63,625.50 (total annual cost per fund) x 243 funds = \$15,460,997.

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms. Complying with the collections of information required by rule 17f-2 is mandatory for those funds that maintain custody of their own assets. Responses will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written comments are invited on: (a) whether the collection of information is necessary for the proper performance of the functions of the Commission, including whether the information has practical utility; (b) the accuracy of the Commission's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Thomas Bayer, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312; or send an email to: PRA_Mailbox@sec.gov.

Kevin M. O'Neill
Deputy Secretary

November 16, 2011